

SME IPOs see record mop-up in CY24

FAITH JUSTIFIED. 76 stocks gained more than 100 per cent, with two soaring over 1,000%

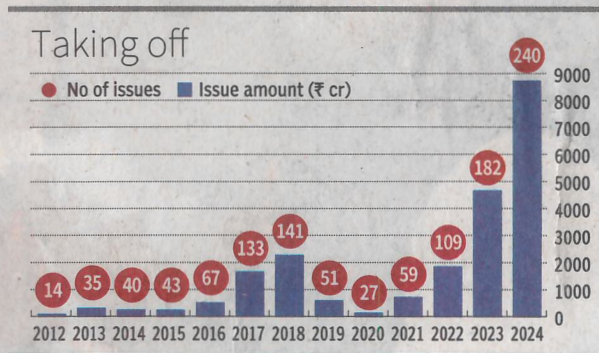
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This was the best year for public share sales of small and medium enterprises (SMEs). The SME platform saw a record 240 offerings, with an average size of ₹36 crore, mopping up ₹8,757 crore. This is 1.9x higher than the previous best amount mopped up last year and nearly equal to the amount raised between 2012 and 2022. Mainboard IPOs, on the other hand, collected ₹1.59 lakh crore this year, which is 18x their SME peers.

The total number of SME issuances since 2012 now stand at 887.

The BSE Smallcap index has gained 28 per cent in the past year compared with returns of 8.3 per cent for the



Source: primedatabase.com

Sensex. The BSE SME IPO index is up 139 per cent compared with returns of 32 per cent for the BSE IPO index.

ATTRACTIVE RETURNS

Danish Power and KP Green Engineering were the biggest SME IPOs, with an issue size of ₹188 crore and ₹180 crore respectively. Overall, there were 50 IPOs with an issue

size of over ₹50 crore. The possibility of making quick returns has drawn individual investors to pick up these offerings.

Share prices of 27 companies jumped over 100 per cent on debut and another 79 companies returned 50-100 per cent. Only 23 out of the 240 companies ended in the red on listing day.

The BSE SME IPO index is up 139 per cent compared with returns of 32% for the BSE IPO index

Seventy six SMEs that listed this year have gained more than 100 per cent, with two soaring over 1,000 per cent, based on current prices:

Thirty seven are trading between 50 and 100 per cent. However, as many as 70 companies are trading in the red, with seven losing over 50 per cent of their value.

Despite the possibility of high returns, experts highlighted the probability of losing the entire capital in these companies. Analysing these

firms can be a challenge as they are not tracked by analysts. This means investors are left to themselves when it comes to assessing the fundamentals and gauging the credibility of promoters.

TIGHTENED RULES

Market regulator SEBI recently tightened rules for SME IPOs. SME firms can make a public offering only if the issuers have an operating profit of ₹1 crore from operations for any two out of three previous financial years at the time of filing of the draft prospectus.

SME issues where objects of the issue consist of repayment of loan, whether directly or indirectly, will not be permitted. Related party transaction norms that apply to listed entities on the mainboard will be extended to SME firms as well.